

**MINUTES OF REGULAR MEETING
ILLINOIS GAMING BOARD
MAY 18, 1999
CHICAGO, ILLINOIS**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

The Illinois Gaming Board ("Board") held its Regular Meeting on May 18, 1999, in the auditorium on the 5th floor of the State of Illinois Building, Chicago, Illinois, pursuant to the Illinois Open Meetings Act, 5 ILCS 120.

The following Board Members were present: J. Thomas Johnson, Chairman; and Members William B. Browder, Stuart P. Levine and Robert F. Vickrey.

Also in attendance were: Administrator Robert F. Casey, Deputy Administrators Joseph Haughey, Allan McDonald, Roger Shiels, and Thomas Swoik, Chief Counsel Mareile' Cusack, other members of the staff, the media, the general public and interested parties.

Chairman Johnson called the meeting to order at 9:30 a.m. Member Browder moved **that the Board retire to Closed Session pursuant to Section 2(c), paragraphs (1), (4), (11), (14) and (21) of the Open Meetings Act, to discuss the following subject matters:**

**Issues Concerning Applicants and Licensees
Recommendations of Administrative Law Judges
Pending Litigation and Matters Involving Probable Litigation
Investigatory Matters
Personnel Matters
Closed Session Minutes**

Member Vickrey seconded the motion. The Board adopted the motion by unanimous consent.

The Board convened in Open Session at 12:30 p.m.

Board Minutes

Member Vickrey moved that the Board approve the minutes from the open and closed sessions of the April 27, 1999 regular meeting. **Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.**

Member Vickrey moved that the closed session minutes of the Illinois Gaming Board September, 1998 through and including March, 1999 be made available for public inspection as required under the Open Meetings Act. **Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.**

Chairman's Report

Chairman Johnson reported that Gayl Pyatt resigned from the Board effective April 28, 1999. The Board thanked Gayl for her many years of service. The Chairman welcomed Stuart Levine to the Board. Mr. Levine was appointed by the Governor on April 13, 1999 to fill the remaining months of the term previously held by Terry Scrogum as well as a sequential three-year term to expire July, 2002. The Senate confirmed Mr. Levine on May 7. The Chairman stated that Mr. Levine formerly was a partner with the law firm of Herman, Levine & Tannebaum, where he specialized in healthcare law, and he is currently an entrepreneur.

The Chairman reported that he has changed professional firms and is now a partner with the public accounting firm of KPMG. He is heading up the state and local tax practice for the Chicago area. Chairman Johnson stated that he recused himself from the discussions pertaining to Casino Rock Island in closed session and will do so in the open session.

Administrator's Report

Administrator Casey reported that the adjusted gross revenues for the month of April rose to \$107.2 million. This represents a 2.5 percent increase over March and an 18.5 percent increase over April of 1998.

The Administrator further reported that on May 5, the Administrative Law Judge ("ALJ") in the HP, Inc. administrative hearing issued a recommended decision in the matter involving the non-renewal of HP, Inc.'s owner's license. In response, HP, Inc. filed a motion for "reconsideration and clarification" before the ALJ. This date, the ALJ denied the

motion for reconsideration. The Administrator stated that in accordance with the law, the Board will review the entire record, along with the ALJ's recommendations, before making a decision as to whether to reject or adopt the ALJ's recommended order.

The Administrator stated that the media has written a number of articles speculating about legislative initiatives, potential dockside gaming and the relocation of a license. To date, no legislation has been formally introduced and he will abstain from commenting until a bill has been formally introduced.

Tom Swoik summarized the monthly statistical reports for April regarding adjusted gross receipts, admissions and patron counts.

Owner Licensee Items

EMPRESS CASINO JOLIET ("Empress") – David Fendrick, representing Empress, introduced Pete Ferro, CEO; Joe Canfora, President; and, Mike Hansen, General Counsel. Mr. Fendrick reported that the 1998-1999 renewal period has been a great year for refinement, growth and excellence at Empress. He stated that Empress' AGR increased by 18 percent over the 1997-1998 renewal period. Mr. Fendrick attributes the increase to its 1500 employees and management team.

Mr. Fendrick stated that Empress continues to work on its operating environment, leadership training and the well being of its employees. He stated that Empress has worked over the past year on improving its slot machines and table games; rebuilding its restaurants; face lifting the pavilion; paving the parking lot and installing curb and gutter to improve its entryway. In June 1999 a dance club called the Chameleon will open bringing further economic development to the area.

Mr. Fendrick stated that Empress is committed to its community and supports the Lewis University Board of Trustees, the Trail-way Girl Scout Counsel and the Heritage Corridor Convention and Visitors Bureau. Empress is a major sponsor of the local Easter seals and continues to host its annual fund-raising telethon.

PAR-A-DICE GAMING COMPANY ("PGC") – David Daley, representing PGC, requested initial consideration for a waiver of Board Rule 3000.510 to assess the condition of the bearings supporting the drive shafts on the MV Par-A-Dice. If replacement of the bearings is needed the work will be completed concurrently.

(NOTE: Acting Chairman Vickrey assumed the duties of the Chair.)

CASINO ROCK ISLAND ("CRI") – Ron Wicks, representing CRI, requested initial consideration for a waiver of Board Rule 3000.510 to replace the stern thruster tubes.

(NOTE: Chairman Johnson resumes the Chair.)

HOLLYWOOD CASINO AURORA ("HCA") – Chairman Johnson stated that a technical problem was found in the motion passed at the April 27 Board meeting. The following motion was offered for clarification.

Member Vickrey moved

WHEREAS at the April 1999 meeting, the Board approved Hollywood Casino Aurora's refinancing proposal; and,

WHEREAS it has come to the Board's attention that the motion adopted by the Board with respect to this refinancing contained a minor inaccuracy.

NOW THEREFORE, I move that the motion approving Hollywood Casino Corporation's \$350 million notes be amended to reflect that the notes are "Senior Secured" and not "Senior Subordinated".

Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

(NOTE: Acting Chairman Vickrey assumed the duties of the Chair.)

CASINO ROCK ISLAND – Donna More and Ron Wicks, representing CRI, requested renewal of its owner's license.

Chief Counsel Cusack stated that staff has concerns with CRI's cash flow, the management of the operation, continued compliance with Internal Controls, and employee retention. Ms. Cusack reported that staff has received a commitment from the majority shareholder of CRI to provide the financial resources needed to continue operations. Staff believes its concerns can be addressed in the coming year.

Member Browder moved that the Board renew the owner's license of Rock Island Boatworks, Inc. ("RIBI") for a period of one-year commencing May, 1999. In renewing the license the Board orders the following:

RIBI shall provide to staff, on a monthly basis, written evidence that the company has sufficient working cash available to meet the company's daily operating needs.

Within the next thirty days (30), D. James Jumer shall enter into a formal written agreement with RIBI to provide a line of credit to cover operational needs and potential financial shortfalls. The line of credit shall be for no less than \$1.7 million and shall be subject to the Administrator's review and final approval.

In the event that RIBI's cash flow expenditures exceed the monthly rebates RIBI receives from the City of Rock Island, D. James Jumer shall, within no more than five (5) business days, make sufficient capital contributions to the company to eliminate RIBI's negative cash flow position.

RIBI shall make no loans, or dividend distributions. Nor shall the company invest in other entities without the prior approval of the Administrator.

RIBI shall, within ninety days, submit to staff a detailed financial plan outlining, the company's course of action in the event operations continue to generate negative cash flows. The plan shall also reflect the capital investment RIBI will implement in the next license year. Further, unless circumstances clearly dictate otherwise, this plan shall not be contingent upon legislative action providing for dockside gaming.

RIBI shall take immediate steps to hire two full-time individuals to fill the positions of Chief Financial Officer and General Manager.

RIBI shall work with staff to develop and implement an effective plan for the retention of key management personnel. In this regard, RIBI is to work toward eliminating the use of Jumer's Castle Lodge employees to work for RIBI on a part-time basis, and RIBI is to employ its own full-time personnel to occupy managerial and key operational positions.

I further move that the Board direct the Administrator to select an independent accounting firm to perform quarterly audits of RIBI's financial statements and accounting functions. This firm is to be hired at RIBI's expense. The quarterly audits are to begin with the quarter ending March 31, 1999.

Moreover, in conjunction with the renewal of this license, I move that the following be designated as key persons of RIBI:

Each of the individual owners of RIBI, its officers and members of its Board of Directors.

Member Levine seconded the motion. Chairman Vickrey called for a roll call vote.

**Member Levine – Aye
Member Browder – Aye
Member Johnson – Abstain
Member Vickrey – Aye**

(NOTE: Chairman Johnson resumes the Chair.)

ELGIN RIVERBOAT RESORTS ("ERR") – Donna More, representing ERR, requested final approval of a waiver of Board Rule 3000.510 to remain dockside while conducting an underwater hull inspection. Ms. More stated that the work would take approximately 21 days beginning May 24.

Member Vickrey moved that the Board approve Elgin Riverboat Resort's ("ERR") request for a waiver of Board Rule 3000.510 and delegate to the Administrator authority to allow ERR to conduct gaming while remaining dockside for a limited time period while the Grand Victoria undergoes its annual hull inspection. Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

Ms. More requested approval of Angela Welter as the Internal Audit Manager of ERR.

Member Vickrey moved **that the Board approve Angela M. Welter as a Level 1 Occupational Licensee of Elgin Riverboat Resort.** Member Levine seconded the motion. The Board approved the motion unanimously by voice vote.

ARGOSY GAMING COMPANY ("AGC") – Dale Black, representing AGC, requested approval of a refinancing to lower its interest rate on its outstanding debt and to extend its maturities and provide a better balance between short and long term debt.

Chairman Johnson asked if AGC's plan was to issue the senior note amount dependent on market conditions. Mr. Black stated that AGC would issue a minimum of \$200 million and may take an over subscription of the remainder, if available, depending on the price. The Chairman asked if AGC's plan would reduce the amount of draw on the credit facility. Mr. Black stated it would reduce the initial draw on the new credit facility but not the overall size of the credit facility. AGC plans to draw down and issue senior notes sufficient to pay off the principal as well as any premium on the principal of the old first mortgage notes. Mr. Black stated there will be a draw availability on the proposed bank line to give AGC availability for working capital and capital projects as they arise.

Member Vickrey moved **that the Board approve Argosy Gaming Company's request to refinance its existing primary indebtedness with up to \$275 million of senior subordinated notes and up to \$250 million in a secured revolving credit facility. In conjunction with this approval of this financing, the Board also approves the pledging of the stock and assets of the Alton Gaming Company to secure the credit facility. This approval is subject to the Administrator's review and approval of the final documentation relating to this financing.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

PAR-A-DICE GAMING COMPANY ("PGC") – Donna More and Keith Smith, Executive Vice President for Operations of Boyd Gaming Corporation ("Boyd"), representing PGC, requested approval of an amendment to its bank credit agreement.

Chairman Johnson stated that Boyd proposes an increase of its line of credit from \$475 million to \$500 million. Mr. Smith added that there is an option to increase to \$600 million in the future. Deputy Administrator McDonald stated that he understands the \$600 million increase is to be optioned before closing. Mr. Smith agreed and stated that there will be a \$100 million "green shoe" option to raise the deal from \$500 million to \$600 million without going back to the existing banks.

Chief Counsel Cusack stated that Boyd is required by rule to request Board approval for the pledging of stock of a licensee or the collateralizing of an asset of the licensee.

Member Browder moved **that the Board approve Boyd Gaming Corporation's request to pledge the assets of the Par-A-Dice Gaming Corporation as security for its new senior secured credit facility. This approval is subject to the Administrator's review and approval of the final documentation relating to this financing.** Member Levine seconded the motion. The Board approved the motion unanimously by voice vote.

Ms. More requested approval of Mark Kolczak as the Surveillance Director of PGC.

Member Browder moved **that the Board approve Mark L. Kolczak as a Level 1 Occupational Licensee of Par-A-Dice Gaming Company.** Member Levine seconded the motion. The Board approved the motion unanimously by voice vote.

Supplier Licensees

ANCHOR GAMES ("Anchor") – T.J. Matthews, Executive Vice President, Secretary and Treasurer of Anchor Gaming and its operating subsidiary Anchor Coin, requested approval of its supplier's license.

Chief Counsel Cusack stated that Anchor is an applicant for initial licensure and is eligible for a one-year license under Board Rule 3000.241. Staff recommended Anchor for licensure.

Member Browder moved **that the Board approve Anchor Coin d/b/a Anchor Games application for a Supplier's license. This initial Supplier's license is for a period of one year expiring May 2000. In approving the license the Board also designates the following as Key Persons of Anchor:**

**Anchor Gaming;
Stanley Fulton, Chairman of the Board of Anchor; and
Michael Rumbolz, President and Chief Executive Officer of Anchor.**

Chairman Johnson called for discussion before the vote.

Member Vickrey asked Mr. Matthews for a brief overview of Anchor. Mr. Matthews stated that Anchor Gaming has three divisions. Anchor operates a casino in the state of Colorado, is a route operator in the state of Nevada, and has a games division. He stated that Anchor manufactures on its own behalf and owns the exclusive distribution rights to unique gaming machines. Anchor's goal is to supply its games to casino licensees in the State of Illinois.

Member Vickrey asked what a "unique" gaming machine is. Mr. Matthews gave as an example its most successful game to date, "Wheel of Gold." The game is a three wheel base game that has a trigger device that allows the patron to play a secondary event/ bonus, which is the initiation of a wheel. In Illinois the game has been distributed by IGT as "Wheel of Fortune" under a license from Anchor Gaming to IGT. Member Vickrey asked if a royalty is paid for the use of the name "Wheel of Fortune." Mr. Matthews stated that the operating arm is Sony Entertainment, and they receive a monthly license fee from IGT.

In response to Member Vickrey, Mr. Matthews stated that Anchor Gaming's manufacturing is done on its behalf by third parties. Anchor owns intellectual property associated with the concepts thus Anchor has exclusive distribution rights. Anchor is developing into a manufacturer/developer of game ideas and operates out of Las Vegas.

Member Vickrey asked what percent of Anchor's market is in the Midwest and the number of employees Anchor has in its manufacturing facility in Las Vegas. Mr. Matthews stated that Anchor has three distinct marketing areas: the West Coast including Nevada and Colorado; the East Coast including Atlantic City and Connecticut; and, the Mississippi river states. Mr. Matthews stated that Anchor has a total of 150 employees of which 70 work in manufacturing.

Member Vickrey seconded the motion. The Board approved the motion unanimously by voice vote.

Occupational Licensure

Member Vickrey moved **that the Board approve 60 applications for an Occupational License, Level 2, and 214 applications for an Occupational License, Level 3, and deny 4 applications for an Occupational License, Level 3.** Member Levine seconded the motion. The Board approved the motion unanimously by voice vote.

Administrative Hearings/ALJ Reports

Member Vickrey moved **that the Board adopt the findings of fact and conclusions of law contained in the ALJ's recommended order and revoke Suchada Moonsap's occupational license.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

Having reviewed the staff's report, Member Vickrey moved **that the Board deny David Ortiz' request to reconsider the denial of his hearing request.** Member Levine seconded the motion. The Board approved the motion unanimously by voice vote.

Complaints & Disciplinary Actions

(NOTE: Acting Chairman Vickrey assumed the duties of the Chair.)

Chief Counsel Cusack stated that an underage patron (18 years old) entered the CRI and gambled for five hours. The patron showed CRI security an ID clearly marked under 21 at the entry gate. The patron was allowed to enter the vessel and was later detained by an agent of the Board.

Member Browder moved that the Board issue a disciplinary complaint against Casino Rock Island ("CRI") and fine CRI in the amount of \$25,000 for allowing an underage patron to enter the riverboat and gamble. **Member Levine seconded the motion.**

Chairman Vickrey stated that the Board takes underage gambling very seriously. He asked all licensees to double their efforts in training employees who check ID's.

Member Levine seconded the motion. Chairman Vickrey called for a roll call vote.

Member Levine – Aye

Member Browder – Aye

Member Johnson – Abstain

Member Vickrey - Aye

(NOTE: Chairman Johnson resumes the Chair.)

Board Policy Items

NEW GAME REQUEST – David Fendrick, representing Empress along with Brian Handelman, President and Marc Handelman, Vice President, owners of the intellectual property rights of Single Hand 21, requested the approval of the game Single Hand 21. Brian Handelman gave an overview of how the game is played and answered clarifying questions by Board members.

Chairman Johnson asked who would be the supplier of the product. Marc Handelman responded that they (the Handelman's) would handle directly the marketing and sales of the product. Mr. Handelman stated that Paul-Son Gaming would supply the table layouts. The Chairman asked how the Handelman's are compensated for the game. Marc Handelman stated that the casino pays Paul-Son for the table game layouts and the Handelman's are paid a monthly fee per game by the casino for the intellectual property rights.

Chief Counsel Cusack stated that staff sent correspondence to all owner licensees asking that they abstain from entering into any royalty payment agreements until the Board makes a final decision.

Member Vickrey moved **that the Board grant Empress Casino-Joliet's request for approval of the new game Single Hand 21 as an authorized game to be offered at Illinois riverboat gaming operations.** Member Levine seconded the motion. The Board approved the motion unanimously by voice vote.

ROYALTY PAYMENT – Chief Counsel Cusack stated that staff is seeking direction from the Board regarding the regulatory treatment accorded to contracts entered into by owner licensees for intellectual property rights to games. The Board has several approved games, including Single Hand 21, which involve situations in which royalty agreements need to be entered into by the licensees for the right to play the games in Illinois. Ms. Cusack offered three options to the Board for discussion.

To allow these contracts to be entered into without regulatory intervention, but to amend Board rule 3000.150 "owner's and Supplier's duty to investigate" to require owner licensees to themselves investigate the backgrounds of persons and entities with which or whom they enter into royalty agreements.

To require that all such contracts be subject to the Administrator's prior approval. First, to enable the Administrator, after a cursory background review of the entity, to ascertain whether the provider should be licensed as a supplier. Second, to assure that the agreement entered into by owner licensees includes a termination clause that would void the agreement if, at a future time, the Board desires to require the provider to be licensed.

To require that all such entities be licensed as suppliers.

The Board discussed the three options listed above and the way casinos can compensate the providers of table layouts and intellectual property rights. Chairman Johnson feels that the supplier is the person who holds the patent and has control over the games. Member Vickrey suggested a graduated license fee. Member Vickrey stated that he wants to continue to encourage entrepreneurs to do research and development to bring new products and competition to the industry. Chairman Johnson asked staff to look at what is fair and/or not fair from a licensing standpoint.

The Board directed staff, as a starting point, to summarize for the Board the royalty fees paid by owner licensees for these types of transactions and to propose legislative solutions.

RULES – Chief Counsel Cusack stated that staff requests the Board to authorize rules, that will allow licensees to conduct table game tournaments and slot tournaments as promotions, to be filed with JCAR to begin the 45 day second notice period before final adoption. Ms. Cusack reported that no public comments were received during the first notice period.

Member Vickrey moved **that the Board approve the second notice filing with the Joint Committee on Administrative Rules of the following:**

The new definition of Tournament EPROM under Board rule 3000.100; and Amended rules 3000.614, 3000.631 and 3000.660.

Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

There being no further business to come before the Board, Member Browder moved **that the Board stand adjourned**. Member Levine seconded the motion. The Board approved the motion unanimously by voice vote and adjourned at 2:20 p.m.

Respectfully submitted,

Susan O. Weber
Secretary of the Board